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SUBJECT: EL SALVADOR MOVES CLOSER TO RESOLVING GULF OF  
FONSECA DISPUTE

¶1. (U) Summary: On October 4 the leaders of El Salvador, Nicaragua, and Honduras signed an agreement declaring their commitment to working together to develop the Gulf of Fonseca. The leaders labeled the agreement the first step toward resolving territorial disputes that have plagued the gulf region since the 1800s. The agreement also establishes joint projects to benefit the region and creates presidential commissions in each country. The agreement follows President Saca,s announcement of the formation of a tri-national commission during his speech at the UN General Assembly on September 25 in New York. End Summary.

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SACA USES UN TO ADVANCE REGIONAL AGENDA  
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¶2. (U) On October 4, President Saca, President Ortega of Nicaragua, and President Zelaya of Honduras signed an agreement declaring the Gulf of Fonseca a &zone of peace, security, and sustainable development8 between the three countries and expressed their commitment to working together to develop the region. The leaders hailed the agreement as the first step towards resolving the territorial disputes over the Gulf region.

¶3. (U) The ceremony followed President Saca,s September 25 announcement at the UN General Assembly of the formation of a special tri-national commission to resolve the ongoing border dispute over the Gulf of Fonseca. Prior to the announcement, President Saca reportedly extended formal invitations to the leaders of Nicaragua and Honduras to begin a &new era of collaboration8 to promote the development of the Fonseca Gulf Zone.

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THE AGREEMENT  
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¶4. (U) The agreement establishes joint projects to mitigate the vulnerabilities of the gulf zone and develop regional projects focusing on sustainable development and utilization of natural resources, including fishing and agriculture. (Note: Representatives of Nicaragua,s fishing industry have already announced their opposition to the agreement on the grounds that it will harm the small fishing communities located along the gulf. End Note.) The leaders also expressed their intention to form presidential commissions in each country to facilitate the agreement and realize future projects.

¶5. (U) Salvadoran media expressed surprise at the inclusion of Nicaragua in the proposed dialogue. The GOES stated that the offer was based on a diplomatic note sent by Nicaragua in June 2006 that suggested that the three countries work together to reach a solution to the ongoing dispute. It

appears that previous negotiations regarding the border dispute had been limited to El Salvador and Honduras. Media reports indicate that the three leaders had informal conversations regarding the proposal prior to the announcement.

¶16. (U) President Saca's initiative appears intended to prevent any future ruling by the International Court of Justice (ICJ) that could award a significant slice of territory, particularly the Island of Conejo, to Honduras. Conejo is a small island in the Gulf of Fonseca located approximately 600 meters off the coast of Honduras. It measures only 1000 square meters. Despite its size it is strategically significant to both countries. For Honduras, the island establishes access to the Gulf of Fonseca and the Pacific Ocean. For El Salvador, the island overlooks the port of La Unión. From El Salvador's perspective, Honduran possession of Conejo would establish Honduran territorial rights to the Bay of La Unión and negatively impact El Salvador's security posture in the region.

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BORDERS, ISLANDS, AND THE ICJ  
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¶17. (U) El Salvador and Honduras have been litigating various territorial disputes before the ICJ for years. In 1992 the ICJ ruled on the delimitation of the "bolsones", disputed pockets of land on the northern border between El Salvador and Honduras, as well as three disputed islands. The ICJ awarded roughly two-thirds of the disputed territory to Honduras. In addition, the ICJ devised a resolution giving the three countries exclusive control over a three nautical mile zone extending from their coastlines, as well as shared control over the waters of the Gulf. The court affirmed Honduras right of access to the Pacific, but, because the judgment failed to specifically identify the Island of Conejo, each of the countries have interpreted the ruling differently. (Note: Nicaragua was not a party to the original dispute. When the Court awarded Honduras access to the Gulf, Nicaragua, which had previously shared the waters with El Salvador, became an interested party. End Note.)

¶18. (U) In January 1998, Honduras and El Salvador signed a border demarcation treaty to implement the terms of the ICJ ruling. Before the treaty took effect however, El Salvador announced its intention to submit new evidence to the ICJ. In 2003, the ICJ denied El Salvador's petition to present additional evidence supporting their claim to the Goascaran River estuary and the Island of Conejo. The Court's ruling did not resolve the dispute.

¶19. (U) Although there had been numerous reports of ongoing negotiations between the countries since the 1992 ruling, the conflict resurfaced in October 2006 when Honduran media reported that the "Libro Blanco de la Defensa Nacional de El Salvador" listed the island as Salvadoran territory, thus potentially blocking Honduran access to the Pacific. (Note: The "Libro Blanco de la Defensa Nacional de El Salvador" is equivalent to the U.S. National Defense Strategy. It was first published in 2006 and is reviewed annually. End Note.) This launched a series of public statements from both sides claiming sovereignty over the island.

¶10. (U) The ongoing dispute reemerged on September 17, 2007 when the Honduran vessel *Ulúa 8* was briefly detained by Salvadoran and Nicaraguan naval forces. Honduran media alleged human rights violations concerning those detained; however the governments of Honduras, El Salvador, and Nicaragua disputed these claims. Ultimately, the vessel was granted permission from the Salvadoran government to proceed.

¶11. (U) Since the 1980s, Honduras has continued to treat the island as its territory and has maintained a small contingent of soldiers on the island.

¶12. (SBU) Comment: The agreement is notable for several reasons. From a diplomatic perspective, President Saca's

shrewd tactical use of his UN speech enabled the GOES to shape an important regional issue in El Salvador's favor. By all appearances the agreement has likely mooted any potential ICJ ruling that could deprive El Salvador of disputed territory and award it to Honduras. It also seems to protect El Salvador's economic interests in the Gulf of Fonseca region at large, as well as the rapidly developing Bay of La Union, which has recently been a magnet for local and regional investment. End Comment.

Glazer